



# Malta Budget 2022





# Malta Budget

## HIGHLIGHTS

Welcome to the Malta Budget Highlights for 2022. This budget contains a number of measures aimed at sustaining economic growth in a post pandemic environment. It also introduces various environmental and sustainability related measures.

Cost of living adjustment of €1.75 per week.

Tax relief on transfer of properties which are vacant, in UCA or which have traditional features.

Social security pensions increase by €5 weekly inclusive of €1.75 COLA.

Over a 5- year period, taxable income will exclude pension income.

Tax rate on part time income reduced to 10%.

Extension of reduced stamp duty on donation of family businesses.

Exempt pension income up to €14,318.

Free public transport to Maltese residents.

Increased aid when acquiring new electric vehicles or plug-in hybrids.



# Performance of the Economy

**€1.75**

The weekly cost of living adjustment for 2022 was maintained in line with last year at €1.75 per week. This adjustment will be granted in full to employees, people receiving social benefits, pensioners and pro-rated to students.

**11.1%**

The deficit for 2021 is expected to amount to around 11.1% of GDP (originally anticipated at 5.9% of GDP). For 2022, this is expected to reduce to 5.6% of GDP.

**0.2%**

The 12-month moving average rate of inflation in August 2021 stood at 0.2% compared to 1.1% for the same period last year.

**€13.9bn**

GDP for 2021 is expected to be €13.9bn. For the period to June 2021, GDP increased by 5.6% in real terms from the same period last year.

**€4.5bn**

Tax revenue for 2021 is expected to be €4.5bn (down from the original estimate of €4.6bn) and is expected to rise to €5.1bn by 2022.

**3.2%**

The unemployment rate as at August 2021 stood at 3.2%. The unemployment rate remains below the EU average rate which stands at 6.8%.

**61.3%**

Government debt is expected to reach 61.3% of GDP by the end of 2021 (compared to the original estimate of 58.6%).

**261k**

Inbound tourists up to July 2021 amounted to 261k, down from 419k for the same period in 2020 and 1.5m for the same period in 2019.

**27%**

Increase in the labour supply from 2016 to March 2021. Total number of persons available in the workforce until the first quarter of 2021 stood at around 238k.

**€19k**

The Maltese average household income for 2020. This increased from 2019 and continues to close the gap on the EU average.

**€962m**

During the first 8 months of 2021, €962m government stocks were issued on the primary market compared to €88.4m of corporate bonds.

**17.8%**

Greenhouse gas emissions reduced by 17.8% in 2019 compared to 2010.

**48%**

Increase in internet subscriptions between 2013 and 2020.

**20%**

The at-risk-of-poverty-or-social-exclusion rate expressed as a percentage of the total population stood at 20% which is comparable to the EU average.



# Income and Other Taxes

## Exemption on pension income

The maximum amount of exempt pension income will be increased to €14,318. Couples receiving a pension and opting for a joint computation will be entitled to a further €3,600 tax-free amount in respect of income from other sources.

## Tax-free pension income

To encourage pensioners to continue working beyond retirement age, over a period of 5 years starting from 2022, pension income will gradually not be considered as part of the taxable income. This is particularly relevant for pensioners earning additional income on top of the pension.

## 50% reduction in taxes due on transfers of certain rented properties

A 50% reduction in the taxes applicable on transfers of property (up to the first €200,000) will apply when the property has been leased for a period of not less than 10 years to a person paying subsidised rent under any scheme administered by the Housing Authority.

No taxes will be due if such property is transferred to the tenant. A 50% reduction in taxes on transfers of property may also apply when such transferred property is leased (under a subsidised rent scheme) for a period of more than 3 years and less than 10 years.

## Reduction in income tax rate applicable to overtime income

As from next year, qualifying overtime income up to an amount of €10,000 may be subject to income tax at the reduced rate of 15% (to the extent that the annual basic salary does not exceed €20,000 and provided that the employee is not in a managerial position).

The reduced 1.5% duty rate on certain intra-family donations of business property and securities in companies has been extended by a further year.

## Reduced tax rate on part-time income

The tax rate on income earned from part-time work will be reduced from 15% to 10%.

## Increase in tax refund to individuals

The tax refund paid in the past years will be paid again to individuals earning less than €60,000. The refund will increase, and vary between €45 and €140 (as set out in the table below), depending on the level of income and the tax status of the individual, with the lowest income-earners eligible for the highest tax refund.

Single Computation		
Income	Amount	
	2021	2022
€0 - €15,000	€80	€125
€15,001 - €30,000	€65	€95
€30,001 - €59,999	€45	€60

Married Computation		
Income	Amount	
	2021	2022
€0 - €20,000	€95	€140
€20,001 - €40,000	€80	€110
€40,001 - €59,999	€50	€65

Parents Computation		
Income	Amount	
	2021	2022
€0 - €15,000	€90	€135
€15,001 - €40,000	€75	€105
€30,001 - €59,999	€45	€60

## Tax incentives upon the transfer of family businesses

The reduced duty rate of 1.5% applicable to certain intra-family donations of family businesses has been extended once again.

## Capital allowances may be transferred intra-group

In terms of a temporary scheme, a company having unabsorbed capital allowances in 2020 and 2021, due to losses suffered as a result of the pandemic, may apply for such capital allowances to be transferred to another group company which derived chargeable income during 2021.



# Income and Other Taxes

## Tax benefit on Malta Enterprise scheme

Malta Enterprise will introduce a scheme where a tax benefit will be given to businesses which reinvest a percentage of their profits in the same or another business as long as the investment is made within two years from 1 January 2022.

## Remission of interest on overdue tax

Requests for a remission of interest on overdue tax will only be considered if the CfR is satisfied that the tax due was not paid within the prescribed period due to a reasonable cause.

As from 1 June 2022, the interest rate on outstanding income tax and VAT balances will increase to 7.2% per annum.

## No income tax and stamp duty on transfers of vacant property, 'UCA' property and property with traditional Maltese features

No income tax and stamp duty will apply on the first €750,000 of the value of property transferred, when such property:

- has been constructed more than 20 years ago and has been vacant for more than 7 years; or
- is situated in an Urban Conservation Area; or
- is built with typical Maltese architectural style and traditional Maltese features.

This incentive also applies to buyers who have already entered into a promise of sale agreement but have not yet signed the contract of sale.

First time buyers of the properties referred to above, will also receive a grant amounting to €15,000. Such grant will be

increased to €30,000 for property situated in Gozo.

These incentives will enter into force as from 12 October 2021 and will be applicable for a period of 3 years.

In addition, anyone acquiring or already in possession of any of the properties referred to above, will be eligible for a refund of VAT amounting to a maximum of €54,000 on the first €300,000 of expenses incurred in the restoration or improvement of the property. This refund is also applicable to persons who have already acquired property and are in the process of carrying out the said restoration or improvement works.

A number of anti-abuse measures will be introduced in respect of this scheme. The stamp duty reduction schemes applicable to first time buyers, second time buyers and property acquisitions in Gozo will be extended for a further year.



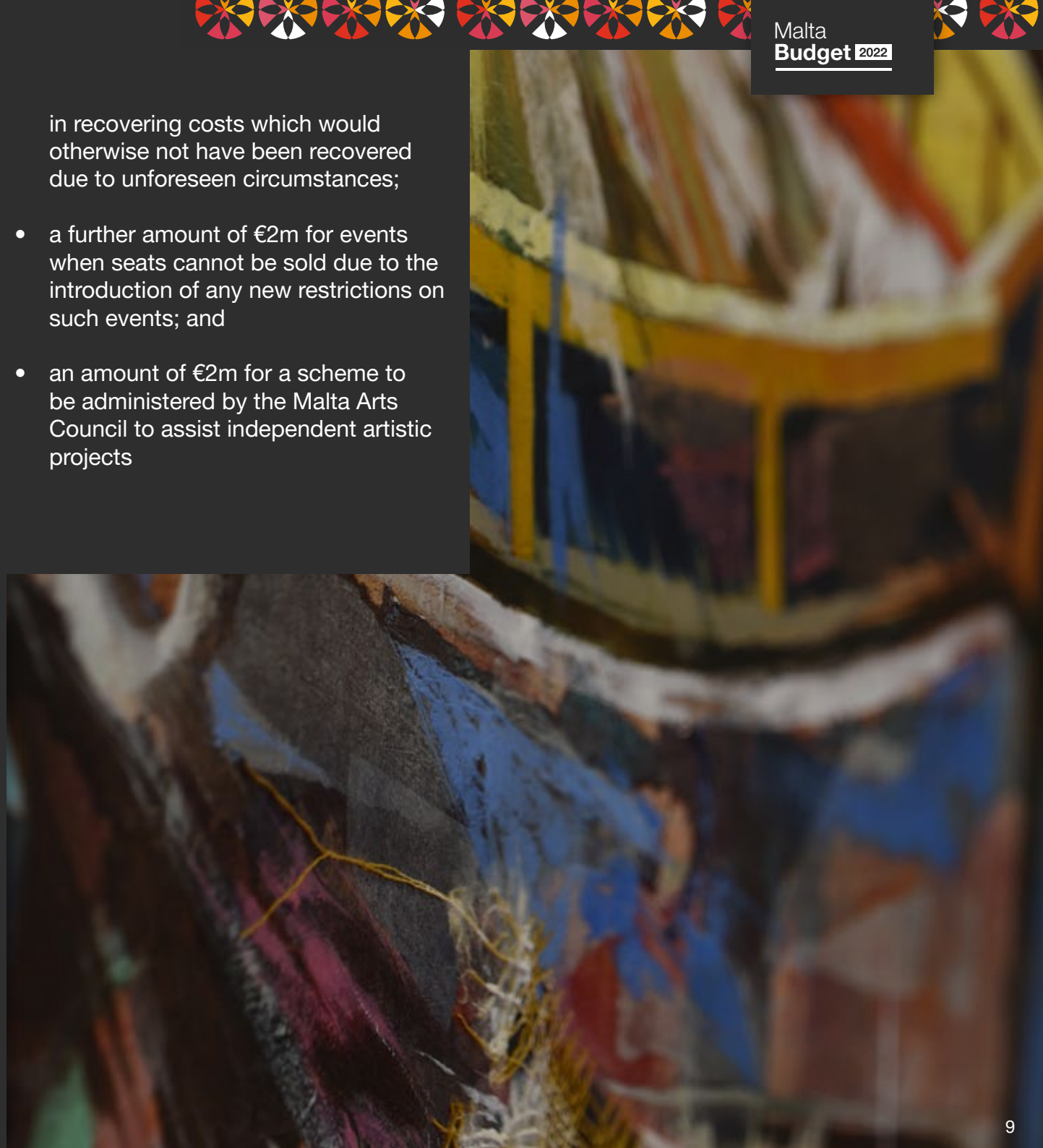
## Culture and Art

A number of measures will be introduced for artists, producers and promoters of art, culture and entertainment activities including:

- a lower income tax rate of 7.5% will apply to artists, as from 2022. A mechanism will be introduced to calculate the income of artists over an average period of 3 years;
- an amount of €1m will be committed to provide for a guarantee for independent artistic activities in order to assist producers and promoters

in recovering costs which would otherwise not have been recovered due to unforeseen circumstances;

- a further amount of €2m for events when seats cannot be sold due to the introduction of any new restrictions on such events; and
- an amount of €2m for a scheme to be administered by the Malta Arts Council to assist independent artistic projects



# Social Measures

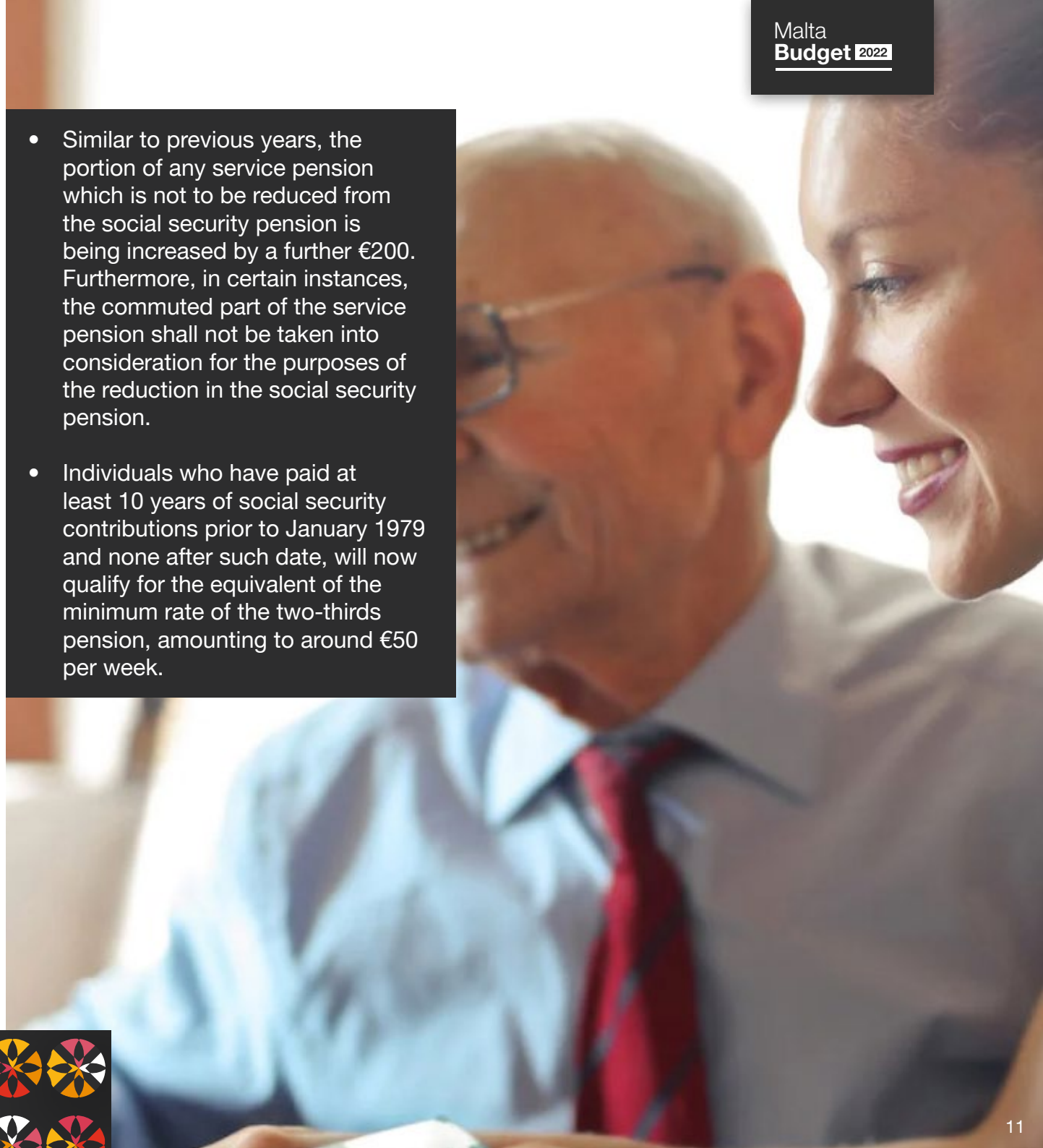
## Cost of Living

- The cost of living adjustment for 2022 amounts to €1.75 per week. This adjustment will be granted to all employees, to pensioners and to those receiving social benefits. Students' stipends shall be increased pro-rata.
- Additional cost-of-living mechanism to be set up for low-income families.



## Pensions

- Social security pensions shall be increased by €3.25 per week. Thus, together with the cost of living adjustment of €1.75, the increase for pensioners should be €5 per week (€260 per year).
  - Furthermore pensioners who retired after 2008 will also benefit from a maximum increase of €2.50 per week (€130 per year) to their cost of living bonus.
  - Pensioners benefitting from the widow's pension, whose income does not exceed €10,221 per year, shall receive an increase of between €520 and €780 per annum.
  - An increase of €150 per annum to the annual bonus will be granted to persons who have reached their retirement age but do not qualify for a retirement pension due to lack of contributions.
- Similar to previous years, the portion of any service pension which is not to be reduced from the social security pension is being increased by a further €200. Furthermore, in certain instances, the commuted part of the service pension shall not be taken into consideration for the purposes of the reduction in the social security pension.
  - Individuals who have paid at least 10 years of social security contributions prior to January 1979 and none after such date, will now qualify for the equivalent of the minimum rate of the two-thirds pension, amounting to around €50 per week.



# Social Measures

## Other Social Measures

- Increase in applicability thresholds for the in-work benefit. For couples in gainful employment the applicability threshold will increase further from €35,000 to €50,000, for single parents from €23,000 to €35,000, and for a couple where only one person is in gainful employment the threshold will increase further from €26,000 to €35,000. The minimum annual in-work benefit will increase to €200 per family, together with an additional €100 for every child.
- A new in-work benefit of €150 for eligible workers working irregular hours and earning less than €20,000 a year will be introduced.
- Discussions with MCESD to implement the EU Work-Life Balance

Directive on parental leave and work life balance.

- Part time workers will be given the possibility to pay social security contributions on more than one part time job, up to a maximum of 40 hours per week.
- Married persons and/or couples whose income for 2022 does not exceed €14,318, will benefit from an increase in their supplementary allowance ranging from €3.47 to €6.50 per week, based on their income. Single persons including widowers whose income for 2022 does not exceed €10,221, shall benefit from an increase in their supplementary allowance ranging from €4.10 to €5.00 per week.

- An increase of €50, resulting in a €400 grant for those aged 80 years and over, and who live in their home or a private residential home.
- Increase in the Carer's Allowance from €6,000 to €7,000 per year.
- An increase to the "Home Helper of Your Choice" scheme subsidy from €5.50 per hour to €7.00 per hour.
- Legal amendments to be introduced with respect to those who receive an inheritance whilst being entitled to a non-contributory pension and have been in receipt of such pension for at least 5 years. The capital means threshold for eligibility to such pension shall increase from €23,300 to €50,000 for married couples and from €14,000 to €30,000 for single persons.

- As from January 2022, eligible individuals for severe disabilities assistance will no longer be capital means tested.
- An increase of €5 per week to the disabled child allowance resulting in a yearly allowance of €1,560.
- An increase of €300 per year for parents who stop working in order to care for children with severe disabilities, resulting in an annual benefit of €500.
- Allocation of €11 million for the continuation of the fund created to cater for inequalities suffered by certain persons in the past.
- An increase of €100 granted upon a child's birth or adoption resulting in a total grant of €400 per child.
- Funds will be made available to all state schools to provide basic food and other resources to vulnerable children.
- Numerous additions to the list of free medication and treatment offered by the Government.
- People aged 80 and over who benefit from a supplementary allowance, shall be automatically eligible for free medical assistance (pink form).



# Other Measures

## Housing

- The equity sharing scheme will be continued for up to 50% of the value of a residence and will be extended to persons who are at least 30 years old.
- Current programmes aimed at helping low income earners become homeowners will be extended further.
- Government has reached an agreement with the Archdiocese of Malta to establish a Foundation for Affordable Accommodation aimed at assisting those persons who do not qualify for social housing but who do not necessarily afford a home.
- Additional subsidies will be allowed for structural works carried out on properties that were rented out before 1 June 1995 and that are worth not more than €250,000.
- The Housing Authority is offering an alternative to insurance policies for persons who cannot obtain insurance coverage due to existing medical conditions and thus are unable to buy their own home.





## Employment matters

- Measures will be taken to further ensure pay parity between public sector workers and private sector workers working for contractors servicing the public sector.
- The provision of free childcare will be extended to parents working shifts, evenings or weekends.
- Government undertakes to continue discussions with all relevant stakeholders to enable an increase to the statutory minimum wage, balanced by an appropriate reduction to businesses' income tax rates.
- Government will conduct a census to better understand the skill set of the local working population and will establish a training fund for industry to train and upskill its workforce through programmes developed by industry.

## Digital transformation

- Identity Malta will continue promoting a digital strategy, including strengthening the e-ID platform. Malta Enterprise and the Malta Residency Agency are working to establish a programme for non-EU nationals to live and work in Malta.
- An online portal will be launched providing template employment contracts containing all minimum standards and requirements established by law to ensure that workers' rights are protected.
- The Searches Unit at the Public Registry is developing a new electronic system enabling notaries to digitally submit registration notes using qualified electronic signatures.



# Other Measures

## Sports, Education and the Arts

- Further investment is anticipated in a number of sports complexes, including the outdoor Velodrome incorporated within the Ta' Qali project.
- Stipends will be increased by 10% and students will be allowed to work for up to 25 hours per week without forfeiting their stipend.
- The development of the first soundstage in Malta, as part of the masterplan for the Malta Film Studios, should commence in 2022.



## Business growth and recovery

- Rental costs for warehousing will be subsidised to lessen the impact of increasing international transportation costs.
- Following the phasing out of the COVID wage supplement scheme, a new set of incentives will be introduced as part of the recovery phase and to continue supporting businesses.
- Introduction of various incentives and programmes to attract start ups to Malta.



# Sustainability and the Environment

## Transportation and shipping

- Free public transport will start being provided to all Maltese residents as from 1 October 2022.
- Schemes for businesses to subsidise the cost of changing existing petrol or diesel engines to electric.
- A new scheme will be introduced to encourage operators of mini buses, coaches and trucks to install Diesel Particulate Filters (DPF) as well as Selective Catalytic Reduction (SCR) systems and to install PV panels.
- Increase in grants to €11,000 when buying new electric vehicles or plug-in-hybrids with an additional €1,000 (rising to €2,000 in Gozo) granted when scrapping a vehicle.
- Investment in a stronger charging point infrastructure through the installation of around 1,200 charging points for electric vehicles around the country over a 3 year period.
- Extension of the exemption from registration tax and annual road license on electric vehicles and plug-in electric vehicles for a period of five years from the date of first registration.



- Continuation of the reduced flat rate for residential charging of electric vehicles during the off-peak period.
- Extension of the following Transport Malta schemes:
  - awarding a full VAT refund on bicycles and electronic bicycles;
  - incentivising the purchase of electric motorcycles, scooters and bicycles;
  - providing grants for those who change their vehicle to run on gas instead of petrol; and
  - other schemes incentivising taxis or passenger transport vehicles that are wheelchair accessible.
- As regards sea transport, plans to build more quays in order to introduce alternative ferry routes and to invest in cargo and tourist berthing facilities at the Grand Harbour.
- Investment for the purpose of changing/ upgrading the Vessel Tracking System together with the system currently in place to register ships and vehicles.
- Digital investment in order to modernise/upgrade the ship register.



# Sustainability and the Environment

## Urban development and physical environment

- The Planning Authority will introduce an aesthetics policy and various measures to encourage a more comprehensive, uniform development that respects Malta's urban environment.
- Afforestation project at the Inwadar Park (extending from Xghajra to Zonqor) over a period of 5 years with a €20 million investment.
- Projects for the conservation and development of Natura 2000 sites and green spaces in urban zones, public gardens and parks including green walls, green roofs, rehabilitation of valleys, community gardens and the Ta' Qali National Park project.
- Introduction of Smart Bins with controlled access and continuous surveillance by local councils.
- Introduction of the Reuse Centres within the Bulky Waste Centres so that items such as toys, ceramics, books and furniture can be reused.
- Feasibility study in connection with the introduction of a repair centre for waste to be repaired rather than recycled.

### Investment in renewable energy sources

- Funds will be allocated for solar panels to be installed on all government buildings, where technically possible.
- Measures to promote more efficient energy production using solar panels, solar water heaters and heat pumps, investment in photovoltaic panels and energy storing battery solutions.
- Extension of grants to assist with the restoration of domestic water wells and the installation or replacement of reverse osmosis systems.

### Energy and Water

- Introduction of a new system to calculate electricity bills enabling consumers to “save” cheaper unused units to be used in periods of higher consumption.
- Launching technical and financial feasibility studies in 2022 regarding hydrogen pipeline development.
- Work is underway on the installation of the second interconnector cable with Sicily.
- Accelerating a robust investment plan in the Enemalta electric power distribution network.
- Extension of the new water network, the strengthening of the drainage system in the North and the South regions of Malta and finalisation of the upgrade to the sewage treatment plant in Sant Antnin.



# Sustainability and the Environment

## Financing Sustainability

- Extension of the Malta Development Bank SME Tailored Facility to provide finance for investments in sustainable and environmental projects by SMEs.
- Support for Maltese companies in evaluating the environmental and social impact of their activities. In turn this will provide private investors with information to be able to buy shares/bonds in companies that satisfy ESG (environmental, social and governance) criteria.

- Launching of a process whereby any surplus carbon credits generated by private and public entities investing in green projects may be voluntarily purchased by other private and public entities.
- Provision of incentives for organic farming and carbon farming. Furthermore, grants of a maximum of €8,000 may be claimed by farmers who have agricultural land which is not being used or with low levels of production to convert them into systems of agroforestry based on fruit trees.



The notes are designed to keep readers abreast with financial and tax developments. They are not intended to be a definitive or comprehensive analysis of the subject and should not be acted upon without prior consultation with the Partners or Senior Consultants of the firm.

For further details please do not hesitate to contact:

PwC

PwC Malta 78 Mill Street, Zone 5,  
Central Business District Qormi, CBD 5090

T: +356 2124 7000 E: [info@mt.pwc.com](mailto:info@mt.pwc.com)